

Message Text

CONFIDENTIAL

PAGE 01 STATE 070817 TOSEC 030131
ORIGIN INR-07

INFO OCT-01 ISO-00 SP-02 EUR-12 SS-15 INRE-00 SSO-00
CCO-00 /037 R

DRAFTED BY INR/RWE:FHCAPPS/S/P:PKAPLAN/JWALKER:BAL
APPROVED BY INR: HHSANDERS/S/P: A LAKE
EUR - MR. BARBOUR (DRAFT)
INR/DDR: M PACKMAN
S/S:RGAMBLE
INR - MR. KIRK

-----310206Z 073308 /72-70
O 310034Z MAR 77 ZFF4
FM SECSTATE WASHDC
TO USDEL SECRETARY IMMEDIATE

C O N F I D E N T I A L STATE 070817 TOSEC 030131

E.O. 11652: GDS

TAGS:PFOR, GW, FR, UK

SUBJECT: YOUR VISIT TO WESTERN EUROPE: PROBLEMS FACING
THE FRG, FRANCE, AND THE UK

FROM SAUNDERS AND LAKE

1. IN ADDITION TO YOUR BRIEFING BOOKS, FOLLOWING COMMENTS
ON POLITICAL SITUATIONS FACING SCHMIDT, GISCARD AND
CALLAGHAN MIGHT BE USEFUL IN CONNECTION WITH YOUR VISITS
TO BONN, PARIS AND LONDON.

2. RECENT EVENTS HAVE CALLED ATTENTION TO CURRENT
DIFFICULTIES FOR THE GERMAN, FRENCH AND BRITISH GOVERN-
MENTS:

--FRG: POPULAR REACTION AGAINST BONN'S NUCLEAR REACTOR
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 STATE 070817 TOSEC 030131

PROGRAM, ELECTION OF A RADICAL MARXIST TO HEAD THE SPD
YOUTH ORGANIZATION (JUSOS), SCANDALS OVER UNAUTHORIZED
FEDERAL WIRETAPPING, PERCEIVED INEPTNESS OF THE GOVERNING
COALITION AND RECENT CDU MUNICIPAL ELECTION VICTORIES IN
SOLID SPD DISTRICTS HAVE EMBARRASSED SCHMIDT'S GOVERNMENT,
WHICH HAS ONLY A 10-VOTE MARGIN IN THE BUNDESTAG. THESE
DEVELOPMENTS UNDERSCORE SCHMIDT'S URGENT NEED TO RESTORE

HIS LEADERSHIP IMAGE AND MAINTAIN HIS COALITION WITH GENSCHER AND THE FREE DEMOCRATS.

--UK: CALLAGHAN, WHO NOW LACKS A MAJORITY IN COMMONS, STAVED OFF A CONSERVATIVE BID TO UPSET HIM BY MAKING AN AGREEMENT WITH THE LIBERALS FOR PRIOR CONSULTATION ON LEGISLATIVE PROPOSALS. THE DEAL PROBABLY INSURES HIS GOVERNMENT'S SURVIVAL AT LEAST UNTIL OCTOBER. BUT RESENTMENT OF LABOR'S LEFT WING WILL INCREASE THE GOVERNMENT'S PROBLEMS IN GETTING AN EFFECTIVE THIRD YEAR OF INCOME RESTRAINT.

--FRANCE: THE STRONG SHOWING OF THE UNION OF THE LEFT IN THE MUNICIPAL ELECTIONS AND CHIRAC'S TRIUMPH OVER GISCARD'S CANDIDATE FOR MAYOR OF PARIS HAVE DEALT GISCARD AN EXPECTED BUT NONETHELESS HEAVY BLOW. THESE DEVELOPMENTS HAVE REINFORCED WIDESPREAD EXPECTATIONS THAT THE UNION OF THE LEFT WILL WIN PARLIAMENTARY ELECTIONS SCHEDULED FOR NEXT MARCH, AFTER WHICH GISCARD PROBABLY WOULD MAKE MITTERAND PREMIER. BEYOND THAT GISCARD MUST CONTENT WITH THE PROBABILITY THAT BOTH MITTERAND AND CHIRAC WILL BE RUNNING FOR THE PRESIDENCY IN 1981.

3. THE FATE OF ALL THREE LEADERS RESTS HEAVILY ON THEIR SUCCESS IN COPING WITH SERIOUS ECONOMIC PROBLEMS IN THE NEXT FEW MONTHS. ALL THREE ECONOMIES SUFFER FROM PERSISTENT INFLATIONARY PRESSURES (IN PART, FROM ENERGY COSTS), HIGH UNEMPLOYMENT, AND SLUGGISH INVESTMENT. CONFIDENTIAL

CONFIDENTIAL

PAGE 03 STATE 070817 TOSEC 030131

OBVIOUSLY, WEST GERMANY IS IN MUCH BETTER ECONOMIC SHAPE THAN FRANCE OR BRITAIN, AND THE FRG ALONE HAS BEEN ABLE TO MAINTAIN A STRONG BALANCE OF PAYMENTS SURPLUS. NONETHELESS, FRG UNEMPLOYMENT (ABOUT 4.4 PERCENT) AND INFLATION (ABOUT 4 PERCENT) REMAIN AT LEVELS UNACCEPTABLE TO SCHMIDT AND THE GERMAN PUBLIC. IN THE UK UNEMPLOYMENT IS AT 5.6 PERCENT AND INFLATION AT 16 PERCENT. LONDON IS RELYING UPON INTERNATIONAL LOANS UNTIL NORTH SEA OIL REVENUES FLOW IN LARGER AMOUNTS. FRENCH INFLATION IS ABOUT 8 PERCENT, AND UNEMPLOYMENT 4.3 PERCENT. MEANWHILE WAGE EARNERS IN ALL THREE COUNTRIES ARE CHAFING UNDER ANTI-INFLATIONARY PROGRAMS THAT RESTRAIN WAGE INCREASES. GISCARD AND CALLAGHAN WILL HAVE DIFFICULTY IN GAINING AND MAINTAINING FUTURE TRADE UNION COOPERATION, WHICH IS VITAL FOR ECONOMIC STABILITY.

4. THIS RELATIVE GERMAN STRENGTH AND GENERAL WEST EUROPEAN WEAKNESS HAS CAUSED CONCERN IN BONN AND OTHER EUROPEAN CAPITALS. THE GERMANS DO NOT WISH TO JOIN

AMERICA (AND PERHAPS JAPAN) AS THE JOINT PAYMASTERS OF THE INDUSTRIALIZED DEMOCRACIES; TO BE SEEN AS OUR ONLY EFFECTIVE PARTNERS IN SECURITY AND ECONOMIC ISSUES; OR TO BE DRAWN TOO FAR ON TO THE POINT, THEREBY STIMULATING LATENT IMPRESSIONS OF A US/FRG AXIS AND REKINDLING FEARS ABOUT GERMANY'S ROLE IN EUROPE. WE ALSO WISH TO CONTINUE CHANNELING GERMAN ENERGIES INTO ATLANTIC AND WEST EUROPEAN MULTILATERAL INSTITUTIONS, SUCH AS NATO, THE EC AND OECD.

5. DESPITE THESE PROBLEMS, THE THREE LEADERS AND THEIR GOVERNMENTS RETAIN RESIDUAL POLITICAL STRENGTH.

--THERE IS WIDESPREAD CONFIDENCE IN THE ABILITY OF SCHMIDT TO MANAGE THE GERMAN ECONOMY AND CDU/CSU OPPOSITION LEADER KOHL HAS SO FAR FAILED TO CAPTURE THE PUBLIC IMAGINATION. IN BRITAIN, WHILE LABOR TRAILS
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 STATE 070817 TOSEC 030131

THE CONSERVATIVE PARTY IN THE POLLS, THE FORMER IS GENERALLY BELIEVED TO BE THE ONLY PARTY CAPABLE OF DELIVERING UNION ACQUIESCENCE IN THE CRUCIAL INCOME POLICY. BARRE APPEARS TO BE MAKING SLOW PROGRESS IN IMPLEMENTING HIS RECOVERY PLAN, AND GISCARD AND THE GAULLISTS MAY YET COMBINE TO DEFEAT THE LEFT IN NEXT YEAR'S PARLIAMENTARY ELECTIONS.

--THERE ARE NO GENERAL NATIONAL ELECTIONS SCHEDULED FOR THE CURRENT YEAR IN ANY OF THE THREE COUNTRIES. WHILE DIFFERENCES BETWEEN THE PARTIES THAT SUPPORT THE GOVERNMENTS COULD FORCE CABINET CRISES AND POSSIBLY EARLY ELECTIONS IN FRANCE AND THE UK, SUCH AN EVENTUALITY IS UNLIKELY. AN FDP MOVE TOWARD COALITION WITH THE CDU IS POSSIBLE BUT NOT PREDICTABLE IN GERMANY.

--THE BASIC FOREIGN POLICIES OF THE UK AND WEST GERMANY (CONTINUED SUPPORT FOR NATO AND MAINTENANCE OF STRONG DEFENSE FORCES, ADVOCACY OF DETENTE AND DISARMAMENT, CLOSE COOPERATION WITH THE US) HAVE BROAD SUPPORT IN OPPOSITION AS WELL AS IN GOVERNMENT PARTIES.

6. GIVEN THEIR POLITICAL AND ECONOMIC SITUATIONS, SCHMIDT, CALLAGHAN, AND GISCARD WILL AVOID TAKING POSITIONS THAT WOULD ALIENATE ANY OF THEIR OWN FOLLOWING OR MAKE THEM VULNERABLE TO ATTACK FROM THE OPPOSITION.

--IF WE ARE TO BE SUCCESSFUL IN AMENDING THE BRAZIL DEAL, SCHMIDT WILL HAVE TO FIND A WAY TO AVOID A BREAK WITH GENSCHER (WHO SIGNED THE AGREEMENT) AND TO DEFLECT CRITICISM FROM BOTH THE LEFT-WING OF HIS OWN PARTY AND

FROM THE CDU/CSU OPPOSITION. SCHMIDT IS ALSO LIKELY TO INSIST THAT WE BE MORE SELECTIVE AND SHOW A GREATER SENSE OF PRIORITIES IN OUR LENGTHY BILATERAL AND MULTILATERAL AGENDAS (E.G., NON-PROLIFERATION; GERMAN REFLATION, AID TO DEPRESSED EUROPEAN (AND OTHER) CONFIDENTIAL

CONFIDENTIAL

PAGE 05 STATE 070817 TOSEC 030131

ECONOMIES; AWACS, COMMON TANK GUN, NIKE-HERCULES AND PORTUGUESE MILITARY MODERNIZATION; POSSIBLE NEW US POSITIONS ON SALT, MBFR, CTB; AND DIFFERENCES IN EMPHASIS ON HUMAN RIGHTS).

--THE UK ALSO WILL NEED INTENSIVE CONSULTATIONS ON KEY ISSUES AFFECTING ITS INTERESTS.

--AS THE MARCH 1978 ELECTIONS APPROACH IN FRANCE, GISCARD WILL ALSO FIND HIS POLICY OPTIONS INCREASINGLY RESTRICTED BY GAULLISTS AND COMMUNIST DEFENDERS OF FRENCH QUOTE SOVEREIGNTY UNQUOTE AGAINST ATLANTICISM; HE WILL, ABOVE ALL, WISH TO AVOID SURPRISES FROM US THAT COULD HARM HIS ELECTORAL CHANCES.

7. IN THIS SITUATION, WHILE ALL THREE GOVERNMENTS ARE LIKELY TO BE CONCERNED TO COOPERATE WITH THE US, THEY WILL CERTAINLY URGE US TO BE CAUTIOUS IN LAUNCHING INITIATIVES.

--ONE SIGNIFICANT FEAR IS THAT THE IDEALISM OF THE NEW US ADMINISTRATION'S PUSH FOR GREATER INTERNATIONAL OBSERVANCE OF HUMAN RIGHTS WILL IRRITATE SOVIET LEADERS TO THE POINT WHERE DETENTE WILL SUFFER FURTHER SETBACKS. THIS WOULD CAUSE DIFFICULT DOMESTIC POLITICAL PROBLEMS, ESPECIALLY IN GERMANY, WHERE THE OPPOSITION COULD ALLEGE THAT DETERIORATION IN EAST-WEST RELATIONS MIGHT EFFECTIVELY MEAN THE END OF THE GERMAN REUNIFICATION OPTION. TO AVOID THIS SITUATION, THE EUROPEANS COULD MOVE AWAY FROM THE UNITED WESTERN POSTURE ON CSCE AND BE LESS READY THAN THE US TO INSIST ON A THOROUGH REVIEW OF IMPLEMENTATION, ESPECIALLY IN THE BASKET III HUMAN RIGHTS AREA.

--THEIR GREATEST HOPE IS THAT THE US AND JAPAN WILL TAKE MORE MEASURES TO STIMULATE THEIR ECONOMIES AND THUS ASSIST AN EXPORT-LED RECOVERY IN EUROPE. CALLAGHAN AND GISCARD CONFIDENTIAL

CONFIDENTIAL

PAGE 06 STATE 070817 TOSEC 030131

WISH SCHMIDT TO SHARE THIS BURDEN. HOWEVER, HAVING JUST

ANNOUNCED A TOTAL ADDITIONAL EXPENDITURE OF 6.7 BILLION
DOLLARS OVER THE NEXT 3-4 YEARS, SCHMIDT HAS SIGNALLED

THAT BONN HAS NOW DONE ITS FULL SHARE.

--IN THE MEANTIME, YOUR EUROPEAN INTERLOCUTORS WILL BE
SEEKING REASSURANCES AND MAY BE URGING A MORE DELIBERATE
US PACE ON ISSUES EFFECTING THEIR FOREIGN POLICY
INTERESTS.
CHRISTOPHER

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: INTELLIGENCE COLLECTION, TOSEC, BRIEFING MATERIALS, MINISTERIAL VISITS, POLITICAL SITUATION
Control Number: n/a
Copy: SINGLE
Sent Date: 31-Mar-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE070817
Document Source: CORE
Document Unique ID: 00
Drafter: FHCAPPS/S/P:PKAPLAN/JWALKER:BAL
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D770109-0842
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977032/aaaaabif.tel
Line Count: 234
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 2a1ad0b1-c288-dd11-92da-001cc4696bcc
Office: ORIGIN INR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 5
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 09-Nov-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 2989272
Secure: OPEN
Status: NATIVE
Subject: YOUR VISIT TO WESTERN EUROPE: PROBLEMS FACING THE FRG, FRANCE, AND THE UK FROM SAUNDERS AND LAKE
TAGS: PFOR, PINR, GE, FR, UK, US, XT, (VANCE, CYRUS R)
To: SECRETARY
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/2a1ad0b1-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009